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## China's E-Marketing Learns to Drive

30 April 2004

In a few years, China's online population will be larger than the total population of the United States.

By David Berkowitz

How's that for a robust Internet market?

### Population, Internet Users and Internet Penetration in China, 2000-2005 (in millions)

	Population	Internet users	Internet penetration
2000	1,262.5	22.5	1.8%
2001	1,271.1	33.7	2.7%
2002	1,279.2	59.1	4.6%
2003	1,287.0	114.5	8.9%
2004	1,294.6	176.0	13.6%
2005	1,302.2	250.0	19.2%

*Note: population figures are US Census Bureau; Internet user figures are ITU through 2002 and eMarketer projections for 2003-2006; Internet penetration figures are eMarketer projections based on the previous data*  
Source: US Census Bureau, International Telecommunication Union (ITU), eMarketer, November 2003

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As China's Internet market develops, so does China's Internet marketing. eMarketer found out what's hot there right now with Vincent Kobler, CEO of Shanghai-based interactive marketing agency [EmporioAsia](#).

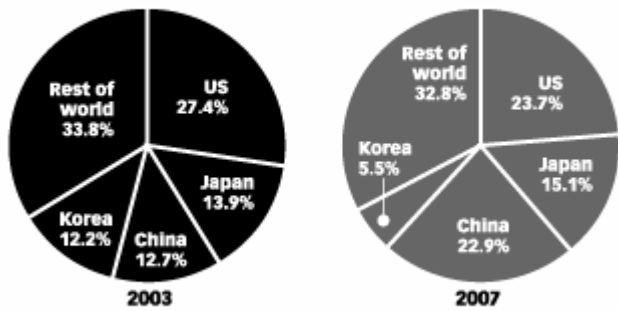
**eMarketer:** I keep hearing that there's really a resurgence in China's Internet industry.

**Vincent Kobler:** It really is booming right now. There's been quite a lot of IPOs, such as from Ctrip, one of the travel portals -- the Expedia of China. And Baidu, which is like the Google of China, is planning a listing on NASDAQ.

**eMarketer:** Do you have a sense of why that's happening now?

**VK:** Two factors. One is due to there being a lot of interest in China in general and doing business in China, especially in Shanghai, which is really in the news these days. Also, the Internet population here is really growing at a very quick rate, and broadband access is growing quickly.

**Distribution of Broadband Households by Leading Broadband Countries, 2003 & 2007**



Source: eMarketer, March 2004

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**eMarketerE:** What is your role and EmporioAsia's role over there?

**VK:** We're an interactive marketing agency based in Shanghai. We mainly service multinational clients in the greater China region, also in Asia, mainly doing Web sites, CD-ROMs, e-mail marketing and search engine optimization. Our initial focus in the past few years has been on the travel sector. We work with all the big hotel brands like Marriott, Hyatt, Hilton, Starwood, Intercontinental, and airlines like Thai Airways and also the Star Alliance. We help them excel and build their brands on the Internet. It's been pretty good for us.

Our business is growing very rapidly, and our team is also growing. I think this is due to the growth of interactive marketing in China. It's really becoming a larger part of the marketing mix out here. It's not as popular as in the States or as big as in the States, but it's growing quickly, and marketers and companies are understanding the importance of having an online presence.

**Interactive Marketing Spending Worldwide, by Country, 2002-2004 (as a % increase/decrease vs. prior year)**

	2001 vs. 2002*	2002 vs. 2003	2003 vs. 2004
US	11.3%	13.2%	15.3%
Japan	-0.6%	0.3%	1.3%
Germany	-2.2%	5.1%	11.4%
UK	19.7%	22.0%	18.8%
France	-2.3%	1.9%	5.9%
China	-	26.0%	21.4%
Brazil	-	11.0%	22.3%
<b>Total</b>	<b>6.6*</b>	<b>9.3%</b>	<b>11.6%</b>

Note: n=891 chief marketing officers; \*excludes China and Brazil

Source: London Business School/Havas, December 2003

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**eMarketer:** Since it's kicking off a bit later than the start of growth that happened in the States, is there a sense that you can learn a lot from both what's gone wrong and what's gone right in the US?

**VK:** Yes. Here in China we do learn some of the lessons of what has done well and what hasn't in the States. There are some copycats -- they take some good concepts that have worked in the US and apply them to China, like search, for example, and also the auction space, and even the portal space. A lot of these concepts in China have sprouted from taking them from the US.

**eMarketer:** Are there any general differences in terms of Chinese Internet users and how they're approaching the Internet, how receptive they might be to certain

kinds of marketing messages? Are there any cultural and country differences?

**VK:** I think it's similar, but it's not as mature here in China. For example, e-mail marketing hasn't really taken off. It's growing, but it's not mainstream like in the States.

There's some differences in the behavior and the likes of Chinese Internet users. For example, they like Flash more than Americans. I think Americans tend to like sites that are more simple, like Amazon or eBay or Yahoo!. Here in China, they want more flashy things. At Chinese portals like Sina and Sohu, you see all these pop-ups and Flash banners and things. This is what the market wants and what they like to see.

**eMarketer:** How long has EmporioAsia been around?

**VK:** Five years now. Our focus is mainly on Web sites and Web design, in the front-end design and the backend, like e-commerce application development. We also help hotels do online booking. Online travel is one of the largest sectors globally. That's the case in China. A lot of the hotels here are looking to the Internet to boost their sales, so we enable a lot of our hotel clients to do e-commerce online.

In addition, we do e-mail marketing, helping companies and brands acquire customers through e-mail. Usually, we do it through their own databases. We also do a lot of Flash e-cards and Flash games, which tend to be popular in Asia. We do a lot of those around the Christmas season and the Chinese New Year and special events for our clients.

**eMarketer:** With e-mail, do you think in general, while it may still be fairly new over there, is there a real sense of best practices and doing things in a way that will earn consumers' trust? It seems like one area where there's a lot that can be learned from the US.

**VK:** Again, China isn't as mature as the States. There are no laws here against spam yet, and the government isn't cracking down, but spam is a problem here. It's not as big of a problem as it is in the States, but it's growing. I think the government will start to do something, but not yet.

I think companies do respect having their clients opt-in. Especially multinational clients, we only deal with opt-in lists. If you're dealing with responsible marketers, it's not a big problem out here.

**eMarketer:** Are the CD-ROM kits a big part of what you're doing?

**VK:** Yes. We specialize in different sizes of CD-ROMs, mainly the business card size, which is actually really popular out here in Asia for companies to use at trade shows. We've noticed that a lot of our clients don't want to do as much print brochures and collateral. They're moving toward CD-ROMs because, one, the cost is lower, and two, it's easier to update. They're handy to bring around to trade shows. This is a product that we do that really helps in their sales and marketing process.

**eMarketer:** What are you doing with search engine optimization?

**VK:** In terms of search, there's been a lot of activity in the search market here in China. Just as Yahoo! bought overture, Yahoo! recently bought 3721.com, which is a search portal here. Google recently launched their Chinese AdWare for the local market here. And Baidu, which is the biggest search engine, is planning to list soon. It's really heating up here, and it's similar to the US, where search is quite effective.

What we do as an interactive marketing agency is we help with the natural search. We help them get to the top of Google and the major search engines through keywords and make it easier for the spiders to pick up our clients' sites.

Although China is a bit behind the US in terms of interactive, it's really growing at a very rapid pace, and a lot of our clients, from big multinational brands to local companies, are seeing the need to do interactive marketing. It's also becoming more effective. They see the effectiveness of an e-mail campaign that you can track, or doing a Web site where you can see various metrics.

China's going to be the second largest advertising market in the world pretty soon, after the US, in the next few years, overtaking Japan. Also, the economy is growing 8% to 9% a year. People's disposable incomes are growing quickly too, though from a low base. The demographics of the Internet user in China are a bit different than the US. In the US, it's more mainstream now, but here, it's more of the upper income, well educated people. A lot of the Chinese population are peasants. The people who are better off are in the larger cities. The Internet, for marketers and advertisers, is a great channel to get to this new middle class that is starting to purchase vacations, homes, cars and those kinds of products. It's a targeted way to get to this demographic.

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